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The relation between war and the social order and the necessity for far-reaching changes in the system of production and distribution are vividly shown from the author's own experience. To meet the need a comprehensive system is outlined with sufficient comment to show that a great amount of study has been given to the subject. The proposals are thoroughgoing, but they are seriously put forward by a responsible business man; and they include the necessary political and financial changes. The most original part relates to the actual organization and management of industry under the author's system which literally abolishes unemployment.

THE TOTAL ABOLITION OF UNEMPLOYMENT

By the same author

UNEMPLOYMENT AND PLENTY

Swarthmore Lecture, 1933

“Say: . . . much that is true and valuable, and brings out . . . forcibly the moral, as well as the economic waste and folly, of an unregulated economic system.”—J. A.

HOBSON (*The Friend*)

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THE TOTAL ABOLITION OF UNEMPLOYMENT

by

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P R E F A C E

THIS book contains an address given under the title of "Economics, Industry, War and Peace" to a conference of the Society of Friends, at which its reception was such as to justify publication. The approach was from the standpoint of Peace with special reference to the bearing of economics and industry on war mentality. In giving it to a wider audience the title has been altered to "The Total Abolition of Unemployment," but the address remains as originally given by a Quaker to Quakers.

THE TOTAL ABOLITION OF UNEMPLOYMENT

WHEN I see, as I have done repeatedly, peaceable men engaged on work connected with military preparations, because it is the only way open to them to provide for their families, I cannot appeal to them to renounce such work without at the same time making it clear that I am equally conscious of the wrong done by us—the community—of debarring men from useful work. The wrong of enforced idleness in the presence of unsatisfied human needs is comparable with the wrong of military preparations; and I believe that these two wrongs have much in common both in their origin and in their continuance.

We have a clear and true vision of international peace and we are getting to know more of a righteous social order. Our Peace testimony has sometimes failed of its full effect through isolation. Love and justice in national and in international life are parts of the same calling; and the wider vision which integrates these concerns, so far from retarding, will facilitate our work for Peace.

ARMAMENTS AND INDUSTRY

At the last general election rearmament was commended again and again because it would increase

employment; and the plea made a potent appeal. We are but changing from one evil to another if success in our disarmament propaganda means more unemployment. The facile reasoning which shows that the money diverted from one channel will flow in another fails to satisfy. I agree that as much labour might be put into housing as goes on to a battleship and the houses would be the better product, but this is only half the tale.

We have good reason to think that some, at least, of the money saved on war preparations would not, in fact, be used to pay for an equal amount of labour elsewhere, but let us suppose it did. Let us suppose that Parliament, in cutting down military expenditure by £20,000,000, provided that the whole of this amount should be spent on public works in addition to all such expenditure already provided for. There would still be much distress caused by the shifting of industry under a system which makes no provision for an orderly transference of human effort with changing requirements.

It is my lot in business to come into direct contact with operatives in the process of being displaced by labour-saving machinery. I have seen the bitterness of men discharged through the installation of modern plant, and I have no stomach to explain to them that the cheapening of production and the consequent lowering of the selling price will increase the demand and ultimately more men will be employed.

But that is not all. I have myself known the full circumstances and details of a highly skilled man's piece-work earnings being reduced from £6 7s. per week to £4 4s. with the advent of plant which mechanized his job; and his assistant was reduced from £5 4s. to £2 2s. The cheaper product might or might not ultimately mean more employment, but as industry is now conducted it would never restore the wage level of those men.

My intimate connection with such tragedies of industry keeps vividly before me the distress connected with the cutting down of customary expenditure in the absence of provision for the industrial dislocation which follows. The fact that the reduction is to apply to expenditure which we regard as vicious should not blind our eyes or harden our hearts to the consequent distress.

Until the nation is prepared to offer to every man in the fighting services, or engaged on war work, a position not inferior to the one he occupies, and without injury to another, there is a dark side to our advocacy of disarmament. An ardent desire for international peace calls for the consideration of such changes in our economic and industrial life as shall make disarmament possible without intensifying the communal sin of excluding a man from his proper share in the work and the product of the community.

Believing that existing conditions render disarmament impossible without serious hardship and injus-

tice, I am impelled to offer some proposals for an alternative organization of society.

FUNDAMENTAL PRINCIPLES

There are principles which we can enunciate with the assurance of revelation. In the Swarthmore Lecture of 1933 I confined myself to what I believe to be foundation Truth. With the confidence that inspired the prophets when they wrote, "thus saith the Lord—," we can assert that it is the birthright of every man to participate, according to his measure, in the activities and amenities of life; that this right is grossly violated in our country to-day, and that we are called to repentance and to the search for a remedy.

The existing system enforces idleness in the presence of unsatisfied human need; it compels privation when there is no shortage, and it is chaotic in its action. Our faith is founded on the bedrock of humanity when we assert that such a system must be changed.

CONCRETE PROPOSALS

It is not often that such confidence can be felt in the formulation of concrete proposals. How to organize such a community and how to bring the new order into being are questions of infinite complexity. I

cannot doubt that there are many good ways; and I must concede that there is no way free from reasonable objection. We can but make suggestions which must be modified by discussion and experience. Every one may rightly join in criticism but the position of one who simply damns without showing a better alternative is not to be admired.

The reluctance to entertain the idea of a radical change often rests on the unthinking supposition that, as opposed to the Capitalism of to-day, there is only one alternative involving the concentration of economic life in the hands of the Government with finance and industry controlled by civil servants. There is a foregone assumption that change means "Socialism" and that "Socialism" means confiscation and regimentation, the spoliation of the rich by the poor and the control of the individual by the community. We must free our minds from these stagnant thoughts. In reality every one who has seriously considered the framework of an alternative system must have been overwhelmed with the endless possibilities which present themselves.

THE BASIC OUTLOOK

In the first place we must define the basic outlook. The student, the politician, the business man, each has his own point of view. A scheme that would

take half a century to mature will have little in common with the one presented here and still less with one drawn up by those who look for a violent break and who make their plans on an ideal basis regardless of the past.

My contribution is based on the belief that some form of collective guidance of industry is essential, but that direct Government control is open to serious objection except in special cases like the Post Office. I think that what is good in the present should be utilized; that no change should be made unnecessarily; that directors and managers of ability who accept the new conditions should continue to serve; that the transition should be arranged with the least possible disturbance; and that a good stride forward is worth while even though it leave us asking for more.

I do not think that in the present stage of human development we can achieve the greatest good of the greatest number by equal pay for all. We must encourage the greatest ability and effort by varying rewards. I think it necessary not to demand the abolition of the private ownership of capital, but to limit its risks and rewards and prerogatives. I would not exclude capital from a share in the management of industry, but I think it wrong that the last word should rest with capital.

Although we have been involved in a world depression, I dissociate myself from the supposition

that our recovery must depend on world improvement. It is in our power to set our own house in order. We can reorganize our own production and distribution on lines more moral and more efficient than those which now obtain. At the same time I reject economic nationalism which even if it were beneficial to ourselves, is opposed to human progress. Whatever we do must be consistent with the well-being of other nations.

Attempts to restore prosperity by restriction of crops and output are on false lines. If too much of a commodity is being produced in the sense that the supply is more than sufficient for everyone to have all they want, or ought to have, then, of course, the supply should be curtailed; but how often is this the case? Supplies are commonly restricted because people who need them have not the means to purchase them. Rather should our efforts be directed towards the discovery of a way to benefit by abundance.

My suggestions do not conform to a common conception of Socialism, and some will think them too mild to be worth attention, yet there are many others who will regard them as sheer Bolshevism. There must still be many who will find in them the possibility of a radical change which, though it come short of the ideal, is consistent with further development, which does not presage a violent revolution, but which would be attainable by stages.

The difficult task is to convince a majority of the electorate of the feasibility of the proposals, but were this done, there is no insuperable obstacle in the transition, though it would take some years to get all into smooth working. The proposals themselves are so comparatively moderate, and the need so urgent, that it should be possible, even for elderly people, to see the achievement of the reforms envisaged.

The following proposals are made in the barest outline. Manifestly they need elaboration, but they may serve as a basis for discussion. Financial matters take the first place; not that financial management alone can meet the need, but such provision is necessary in itself and is essential for comprehensive advance.

THE BANK OF ENGLAND

The consent of the Government should be required for the appointment of the governor and deputy-governor. There should be an advisory council, nominated by industry, commerce, labour, joint-stock banking, and economic science, with power to call for information on the policy and operations of the bank; and, like the American Federal Reserve Board, the bank should publish a monthly review, an annual report, frequent official statements, and important statistical data. The Government should

have no power to interfere with the day-to-day policy of the bank, but only with long-term principles of policy relating to such matters as currency and credit.

JOINT-STOCK BANKS

Joint-stock banks should be accorded a status corresponding to their actual position, which is that of one of the largest and most important of our public utilities. Their profits should be limited and they should be answerable to a permanent banking commission empowered to inquire into all their activities and approve their charges with full access to their books and in a position to consult with and advise them in the discharge of their duties.

The above proposals relating to the Bank of England and joint-stock banks have been taken from *The Next Five Years*,¹ in which they are discussed and elaborated and, like all the recommendations in the book, they are put forward as reasonable reforms attainable in the near future.

I now proceed with some financial proposals, most of which have been taken from a paper presented in September 1933 to the Friends' Industrial and Social Order Council by John H. Guy.

¹ *The Next Five Years*. An essay in political agreement by many influential signatories representative of all shades of thought. Macmillan & Co., Ltd., 5s.

THE POUND STERLING

There should be a declared price level based on an official cost of living index. Common morality requires that the pound sterling should be stable in its purchasing power as the pound avoirdupois is in weight. It is impossible simultaneously to maintain internal and external stability if foreign currencies are unstable. It is in our power to maintain internal stability, that is to say, stability throughout the bulk of our money transactions, and if we do so stability follows immediately with any and every foreign currency which is itself stable.

This is a technical question, but we are compelled to face it. The public does not realize its importance, yet the changes in the purchasing power of money have been baneful in the extreme. They have transferred wealth, on a vast scale, now from, and now to, the rentier; and they have played ducks and drakes with wages and salaries. The tithe agitation is but one symptom of an evil which is an underlying cause of industrial instability. Any advance in our social system is precarious so long as the value of the unit of exchange is not stable in relation to the cost of living.

GOVERNMENT MONEY

The money we deal in should be Government money secured on the same assets as those which secure

bank money. There is no valid reason why the Government should limit itself to some £400,000,000 of currency whilst the banks are allowed to create approximately £2,500,000,000 of private money. In the limits of this address we can hardly discuss the need for such a change, and the workability of the system proposed.

INVESTMENT BANKING AND INDUSTRIAL BANKING

As things are now, money can be used at will, and at any time, for the purchase of consumable goods, or for investment either at home or abroad. The transfer from one function to the other causes disequilibrium and, spread over years, accentuates, and in part produces, boom and depression.

Furthermore, there are in the principal countries of the world financial institutions which control money not definitely employed in industry or long-term investment. They quickly change it from bank deposits to speculative ventures, or to Government securities, and from one country to another according to their judgment of politics, industry, and finance. The League of Nations estimated the amount of these funds at £2,000,000,000. These are the funds which, in the City, are called "Bad Money" in recognition of their danger.

There is no objection to a reasonable transfer of money from industry to investment or vice versa,

and in order to combine the desirable flexibility with proper control, banking should be divided into two branches—"investment" and "industrial." A glance at a bank balance sheet demonstrates the feasibility of this division. Treasury Bills, investments, bank premises, and loans on investment collateral are investment bank assets. Commercial bills and loans to industry on stocks in trade are industrial bank assets.

The most important characteristic of an investment bank would be a provision that a deposit with such a bank would be a prerequisite for a purchase of securities and real estate. The technical provision to ensure this would be to make a draft on an investment bank the only legal tender for any title deed and as essential to valid purchase as the Government stamp.

Further provisions of investment banking would relate to the payment of interest and notice of withdrawal both of which would be fixed from time to time by currency commissioners. In this way the flow of money between industry and title deeds would be measured and controlled.

Industrial banks would, in the main, follow present lines except that they would carry legal cash equal to deposits. They would give no interest on deposits and they would never deal in investments.

There should be currency commissioners empowered to take all necessary steps to keep the cost of living index reasonably constant. They would issue currency on the same classes of security as the banks do at present, the limit of the amount being governed by the cost of living index. They would periodically fix the rate of interest paid by investment banks; a high rate when the index is rising unduly and a low rate when it falls.

If the index continue to fall the currency commissioners could, for example, issue currency for the use of municipalities, or for any scheme approved by the National Development Board (see later) at such rate of interest and for such period as will induce capital expenditure. If not at 3 per cent, then at 2 per cent or, if need be, at 1 per cent. There is always a rate which will induce capital expenditure.

The most convenient document, both for investment-secured currency and for commodity-secured currency, is a bill drawn on a bank and deposited with the currency authority as security for the currency—in the case of investment banks long-term bills and for industrial banks relatively short-term.

If production obstinately increases so as to exceed the apparent demand as expressed by the total expenditure, even when capital outlay has been stimulated, the currency commissioners must be entitled to call on the Council of National Economy (see later)

to decide whether the case should be met by raising either the school-leaving age, or standard wages, or old-age pensions; or by lowering the pension age, or shortening the working hours, or by any other means or a combination of them; and, if necessary, parliamentary powers would be sought to give effect to their findings so that facility of production and ability for consumption should keep step in their onward march.

The management of currency stands out as a function which should be independent of private interest, or class bias, or changing political pressure. The work should be carried out courageously on long-term fixed principles, and without regard to passing gusts of popularity or opprobrium. Accordingly, the commissioners should not be answerable to the government of the day. They should be as independent and secure in their positions as judges are now.

FINANCIAL PROPOSALS SUMMARIZED

As things are now, the need for goods cannot be translated into effective demand even though the means of supply are crying aloud to be used. Still more, the adjustment between supply and the permitted demand is incredibly slow and blundering. After a long period of depression there comes a time when, with infinite relief, industrialists read in com-

mercial and financial papers that "the statistical position is improving." In human terms it means that production has been so curtailed by unemployment and bankruptcies and their concomitants that, in spite of reduced consumption, stocks and supplies have shrunk to such a degree that once again industry can work to a profit.

Some of these evils are rooted in finance and can be cured by financial reforms. The suggestions made in the foregoing give the barest outline not of theoretical proposals but of a thought-out system. The system is based, in the first place, upon regulations to prevent erratic or vicious decisions and dealings whereby purchasing power may be sterilized or used indiscriminately, backwards and forwards, between, for example, current expenditure, capital outlay, or the purchase of foreign exchange.

To prevent the strangulation of industry purchasing power must be created to the extent and in some such manner as is suggested above. This will result in a relatively diminishing return on capital whilst the reward to workers will increase with improving production. An inevitable outcome must be an increasing production for use instead of pressure to create productive equipment the product of which cannot be distributed.

With productive power fully employed a new valuation of capital, whether communally owned or not, will in time be reached by a balance between the

desire for increased plant and equipment on the one hand, and increased leisure or consumption on the other.

These financial reforms are based on elementary justice and common sense. An effort may be needed to envisage them as a consistent whole, but unless we give close attention to such subjects we shall make no headway. Goodness and altruism alone will not lead us into the promised land; neither will the proposals we have been considering, but they, or their equivalent in some form, are a necessary first step. Industrial and commercial reform, however well conceived, will be abortive if the financial basis be faulty.

I now come to the further organization required and again in places I draw freely upon *The Next Five Years*.

COUNCIL OF NATIONAL ECONOMY

There should be a council composed of Cabinet ministers of the highest rank appointed for this purpose and free from departmental responsibility. This would be a political committee which would, of course, change in personnel with changes of government.

ECONOMIC GENERAL STAFF

The Council of National Economy would direct, and be assisted by, an Economic General Staff of

more permanent tenure which would have as its chief officer an established Civil Servant of the highest rank aided by highly qualified assistance.

The Economic General Staff would consist of persons of the highest ability and knowledge. It would include the permanent chiefs of various Government departments, together with the governor of the Bank of England, the currency commissioners, and representatives appointed by such bodies as trade unions, institutions, and universities.

This body would be supervisory and not executive in character. The functions, advantages, and dangers of such an organization are briefly dealt with in *The Next Five Years*. To this body I would give certain important duties which I will explain later when proposing the establishment of a board of industry.

NATIONAL DEVELOPMENT BOARD

There should be a Minister of National Development at the head of a National Development Board charged with the duty of preparing long-range plans for national development and conservation and they should have a programme of approved schemes ready to be commenced as required. In its survey the board would comprise matters relating to housing and public works, including road-making and electrification.

BOARD OF AGRICULTURE

I am not prepared with comprehensive proposals for agriculture. It presents special obstacles to far-reaching reorganization. For the present I must confine myself to saying that the part filled by the landlord in the past and the old relation between landlord and tenant have broken down. The community should take the right to purchase land compulsorily and should fully exercise the power given by the Finance Act of 1909 to receive land in payment of death duties.

The industry is now starved of capital and the board should arrange for a sufficient supply for draining, fencing, and reconditioning to fit farms for modern requirements.

Farming in this country should mainly be directed towards the production of milk, vegetables, eggs, and fruit. The demand for these, if industry were conducted on the lines I am about to suggest, would be sufficient to bring reasonable prosperity to good farming. The board should collaborate with the Ministry of Transport with regard to the carriage of farm requirements and the collection and movement of farm produce, and with the Board of Trade as to its distribution.

BOARD OF TRADE

The Board of Trade, as at present constituted, functions over a wide range of activities, from light-

houses to cinema films, and from mines, patents, and bankruptcies to the Food Council. Under these proposals some of its work would be transferred to other departments, but its purview would be extended to the distribution of goods and especially of agricultural produce.

BOARD OF INDUSTRY

I would have a Minister of Industry concerned with production. As with other ministers or boards already mentioned, his office would be co-ordinating and advisory. Under him there would be a national register of everyone desiring employment and he with the assistance of the Economic General Staff would be responsible for labour adjustments between the national federations, next to be considered.

NATIONAL FEDERATIONS

The actual work of production, including mining but not agriculture, would be directed by national federations. Agriculture presents an immense problem which would be due for comprehensive consideration when the present proposals had been implemented. There would be federations responsible for all classes of production, from shipbuilding to light engineering and from pottery, glass, and leather to textiles and chemicals. I am using the word "pro-

duction" in a wide sense to cover useful industry. The units, that is, each federation, would be as homogeneous as possible and as large as could be effectively and efficiently directed by a single board.

It would not be easy to define the scope of each federation and arbitrary lines of demarcation would necessarily abound. For example, coal mining might appear to be in a well-defined class of its own, but actually many collieries are concerned in allied activities, such as coal-carbonization, or in more remote industry, such as brick-making. Evidently the grouping of the country's production into large units would afford unlimited scope for adjustment which, however, is well within the organizing ability of the best business capacity.

Imperial Chemical Industries Ltd. is a gigantic concern with an astonishingly wide range of interests which are effectively co-ordinated and controlled by a capable board of directors. The Post Office, with its 23,000 branches and its prodigious turnover, is a much larger undertaking but without such variety in its work. The Bridgeman Committee, after six months of investigation, reported in 1932 that the Post Office performs its work with remarkable efficiency and that a change of status was not desirable. The federations that I have in mind would be on a scale comparable with such undertakings. At the same time I recognize that some specialized industries would function best in quite small federations.

The federations, unlike the board of industry, would be the actual managers and controllers. Normally the directors would be appointed by the workers of all grades in the industry, and by the public and by capital. To-day capital carries an immense amount of experience and valuable directing capacity which it would be folly to leave unused. I would not make unnecessary changes or displace useful and well-applied ability but I would provide, for a start, that the ultimate control given to capital should be less than 50 per cent in each federation. This, however, would not have the significance now attaching to it because, under the new conditions, the reasons for a conflict with capital in the working of the federations would cease to operate. I have spoken of the normal constitution of a board, but I can well imagine the need for exceptions. Under the Herring Industry Act the board is appointed by the Government.

Each federation would have a monopoly in its own line, and it would be responsible for the employment at the full rate of pay of the number of workers of all ranks assigned to it by the Ministry of Industry. I have already said that everyone would be entitled to enter his or her name for employment. On the federations would rest the responsibility of using the services of everyone so entered. There would be no such thing in the land as a person denied the right to work.

QUESTIONS ABOUT THE PROPOSED FEDERATIONS

Before proceeding to outline the working of the federations we must pause to deal with the ready questions that will be raised by anyone who, for the first time, considers such a system. How is it possible to employ more men and yet pay full wages? Is not every employer to-day wanting to do this and finding it impossible? How could the increased production be disposed of? How long could you keep it up with an inevitable glut ahead leading to an equally inevitable collapse of the market? Has not the present level of employment been fixed by inexorable laws of supply and demand? How long would it take for every federation to be bankrupt?

Such questions illustrate the mentality begotten of capitalism in its present form. Manifestly we must, under existing conditions, concede the validity of every objection suggested by these questions, but such concession reveals the folly of things as they are. Our present arrangements and our whole outlook have been so moulded, in the past, by the hard underlying fact of scarcity that there is actually a menace in the promise of abundance. It is not the payment of full wages to additional workers that daunts the manufacturer. He is unnerved by the threat of over-production and the collapse of a weakening market.

Do not forget, in the first place, that an all-round increase of production would be required to meet the demand caused by the large increase of earnings. Should this demand be met, and over-production still threaten, we must remember that we have provided for financial stability. The internal purchasing power of the pound is to be reasonably constant as measured by a commodity index. Purchasing power is to keep pace with production. An all-round extra production of the goods that people want will carry in its train an all-round increase of salaries and wages. The currency commissioners have various means of control at their command; they can, for example, see to it that public works are encouraged and capital expenditure stimulated.

There is no need to worry about "Where is the money to come from if everyone works and earns full pay?" If increasing quantities of goods are forthcoming the banks will be able to arrange for the necessary means of exchange. The creation and maintenance of the means of exchange are abstruse technical problems, but they are capable of solution by experts and they can be accomplished by a small number of able and experienced bankers. Of quite a different order is the direction of millions of workers so as to secure the maximum output with the least effort. The pertinent question is, "Can we expand our output sufficiently to meet the

demand that will arise with everyone in receipt of full pay?"

Instead of talking about money let us think in terms of goods. We will suppose that the Leather Foot-Wear Federation has, at its inception, been given an increased number of workers and that it starts off, as it should do, on the fullest production it can attain. Every industrialist knows the advantage of working to full capacity; against this must be set the burden, as it may be, of the full quota of labour employment. Assuming that the L.F-W. Federation is able to provide all the shoes and slippers that are demanded, it means that the full wages paid in all the other federations are justified so far as the supply of foot-wear is concerned. But a corresponding output may be expected all round. The other federations may similarly be able to meet the calls made upon them for clocks, blankets, pots, and what not. If over-production is the danger it means that the goods are forthcoming to justify the stipulated full pay.

If the federations fulfil and overtake the demand so that over-production actually occurs, the difficulty could be met by working short time on full pay, or pay might be advanced all round to increase the demand, or effort might be directed into other channels—capital expenditure, public amenities, education, scientific research, recreation.

On the other hand we must examine the possibility of the creation, by the proposed increase in purchasing power, of a demand too great for the federations to meet. This means, in the first place, that the plan of full employment, whatever the pay, has been more than justified; it has shown that work for all is an actual real necessity. It means that whilst every industry is striving after output to the utmost, whilst every machine and every labour-saving device is pressed into the service of production, there is still an unsatisfied demand. It means that the fear of over-production has indeed been dispelled, but the shortage would necessitate a general lowering of pay to the point at which the purchasing power no longer exceeds the maximum production.

I have not spoken of a cut in wages, but of a general lowering of pay. If the federations fail in production, all ranks of workers would have to share in the necessary cuts; but before admitting the likelihood of such a position, we must remember the new factors which make for increased output.

We have about two million unemployed and many who are under-employed. All these are to be put on to full pay, but not as charity or a dole. The full pay that they are to receive is to be earned by full work. We have been, and are, making unemployables but, with an unsatisfied and apparently insatiable demand, there comes a new incentive, the hands would learn

their cunning again, and many of the down-and-outs would become worthy workers. I know that this can happen. With renewed health and hope and industry, the under-employed and the "unemployable" would contribute largely to industrial activity.

The energy and ability now engaged in advertising and competitive selling would be released for productive industry and this alone would make possible a substantial increase in production.

In some trades there would be an increase of output through release from the present universal and well founded fear that quicker production would do someone out of a job. Everywhere the knowledge that demand exceeded supply, and that in no case could anyone lose his job through increased output, would put new heart and vigour into workers of all grades.

Industrial output would increase with the reduction in crime consequent upon the abolition of unemployment.¹ This improvement would be many-sided; extending beyond the direct benefit that would flow from the substitution of useful employment for useless time in gaol.

Besides those who rank as unemployed there are many potential workers who are idle; indeed such is the pass we have come to that idleness is considered

¹ See Swarthmore Lecture, 1933, *Unemployment and Plenty*, pp. 35-7.

meritorious for a man who by reason of a pension or other means is not compelled to work. He is frowned upon if he engage in beneficial employment—"taking the bread out of somebody else's mouth." Eighteen years ago, when the army had laid its hand on the country's manhood and when, in addition to normal requirements, the demand for war material was at its height, we witnessed an astonishing capacity for production of all kinds. Merit then consisted in working. Idlers from all classes joined in productive effort and the output was prodigious. That was what happened when, for a brief period, manufacturing capacity was allowed full play.

We started out with a recognition of the baneful effect of war expenditure, particularly when it is welcomed by a large part of the population as an important aid in the distribution of wealth. Equally must we remember the far-reaching benefits that would flow from a cessation of such activity if carried out under a reasonable ordering of our industrial life. Were half the power and wealth that now runs in military channels utilized for an all-round advance in the standard of living, there would be no need for pessimism about our ability to deliver the goods.

I have been discussing in a simplified form the question of production. We recognize, of course, that the increased demand would extend to imported goods which means that our industries, besides meeting the increased home consumption, would also

have to make more goods for export. I will, before finishing, refer to foreign trade.

FURTHER PROPOSALS CONCERNING NATIONAL FEDERATIONS

After this long but necessary digression, I am at last able to outline my conception of national federations.

I have already made a suggestion for the constitution of the boards of federations, capitalist directors being retained so long as they hold their position by well-applied ability, but the directors appointed by the community and by the industry itself to have a preponderance. I have also said that the federations would be monopolistic and in return they would be responsible for their full quota of employment.

The function of each federation would be, in the first instance, to achieve its maximum production and to sell its product at a price based on prime cost plus regulation charges plus a percentage for profit or surplus. The regulation charges would be supervised by the Board of Industry and would include capital charges equally whether the capital belonged to the community or to individuals. The profit or surplus would accrue to the federation and would be used for research, development, and improvement of all kinds, and these in turn would lead to increased facility of production. The books of the federation would be audited by accountants appointed by, and

responsible to, the Board of Industry. None of this need be regarded as destructive. It is largely based on principles already conceded in the case of public utility concerns.

I have spoken of the federations giving, in the first instance, the standard rates of pay. General over-production would not lead to a lowering of prices but to a general increase of pay. Conversely, with stable prices, general inability to deliver the goods must inevitably cause a lowering of pay. Commission and bonus would be paid for successful working judged both by quality and output. I would not be afraid of salaries of £10,000 per annum for outstanding ability and industry, especially to those with rare capacity for organization. Such a stimulus to the highest rank, instead of lowering the pay of the others, would, I believe, by increasing the efficiency of the federation, benefit all the workers therein. The workers in a federation directed by ten-thousand-a-year men, who had achieved their position by proved ability, would be better off than if their directors were valued at no more than £1,000 per annum.

The federations would, as already explained, be free from direct Government control; but to the Board of Industry would fall the difficult task of apportioning to them their quotas of employment. The allocation would, in the first instance, be tentative and experimental, but, after all, occupational and

other statistics are available as a basis for a fair approximation to real need. In the early stages many changes and adjustments would be called for. Indeed, even when smooth running had been established, there would be continual need for readjustments in the distribution of labour.

CHOICE OF OCCUPATION

Ideally every man should be in the occupation for which he is best suited, but this does not necessarily mean that every man should be in the occupation of his choice. The federations, at their inauguration, would carry on with employment as they find it, and they would be faced with the task of placing the present unemployed. It would doubtless be found that federations' needs and workers' choices do not always coincide. A large number of workers would, in the first instance, be allocated to their work willy-nilly, but anyone would have the right to appeal against an allocation. In this case the decision, after the appeal had been heard, might be given for an immediate transfer to another calling in the same federation; or to another federation altogether; or the name of the appellant might be put on the waiting list for a transfer; or the appeal might be dismissed.

There are jobs so undesirable that it would be necessary to couple them with extra pay, or privilege of some kind, to ensure their willing acceptance by

a sufficient number of workers. Adjustments and compensations of this kind could only be determined by experience. When all has been said I cannot visualize a system in which everyone can claim full work and full pay along with unlimited freedom to choose and to change his or her occupation. When enough qualified men are available for certain positions, no one would say that an unqualified man has a right to claim such a position for himself.

In any case it is not suggested that everyone should be forced into the federations, or that anyone should be compelled to remain in a federation. Cognizance should be taken of a large number who would doubtless prefer to earn their own living independently in their own way. There would be a great deal of desirable work and service that would not fall within the scope of the federations as I see them.

These proposals give incomparably more opportunity than the present system, in which, with little, or no freedom of choice, the majority of manual workers are swept into industry. I will go further and say that in practice freedom of choice, in a reasonable sense, would be achieved given a proper administration by the responsible body. In this connection it must be remembered that the proposed Board of Industry would be headed by a Cabinet minister who as a politician would be directly dependent on the will of the people.

Any industrialist who has listened so far will wonder how he could carry on with no unemployed to draw upon in time of need. Beside seasonal and other cycles in trade, which can be foreseen and provided for, there are many irregular and unaccountable causes of industrial fluctuations. Frosts and floods, fires and epidemics, changing fashions and clamant new demands brook no delay. Indeed, if literally every registered worker were to be fully and continuously employed, the federations would be confronted with major difficulties of organization. For this reason, whilst I would have no unemployed in the present sense of the term, I would have, distributed over the country and ready for action at any time, a labour reserve of, say, 200,000 workers.

The personnel of the labour reserve would be constantly changing. It might be a suitable halting place between convalescence and full work. Any who, on account of exceptionally prolonged or strenuous labour or for any other reason, merited special consideration, might reasonably apply for a term on the reserve. The number of reservists might be doubled temporarily in one locality whilst it almost disappeared in another, but the total number in the country should generally be kept constant within moderate limits.

Men and women on the reserve would be expected to keep themselves in first-class condition. They

would have access to gymnasia, swimming-baths, and outdoor games as well as lectures and cultural enjoyment. Since their position on the reserve is for the benefit of industry they would be on full pay and they would be liable, in an emergency, to turn their hands to any service sanctioned by the Board of Industry. Their position would be analogous to that of the army, who receive full pay in time of peace.

A substantial contribution to the maintenance of such a reserve might be obtained by regulation rates to be charged to the federation or public body or to anyone who makes use of the labour reserve. It is only reasonable that payment should be made for the privilege of access to good workers any time at short notice.

OVERSEAS TRADE

The organization that I have been developing has for its foundation that industry should be carried on to supply the needs of all the people in the country, that all should be allowed to share in the work and that the work should be done with the smallest possible expenditure of effort. Maintaining this position with regard to foreign trade we cannot think of increasing our exports *in order to find work* for so many more men. The outlook and mentality which finds such expression is perverted and vicious.

The primary use of exports and overseas services

should be to pay for imports and services, and the less that others are willing to take, in exchange for the things we want, the better for us. No system is defensible which turns an abundant influx of commodities into an evil. The height of absurdity is reached when our people are condemned to idleness and short commons by cheap imports. The solemn pseudo-economic explanations of such nonsense which commonly pass muster to-day will be read, in time to come, with the kind of amazement we feel when we contemplate the philosophic and religious defence that was given, in the Middle Ages, for the burning of witches.

The financial and industrial arrangements that I have described would turn cheap imports into a blessing. Goods dumped free of charge, instead of spelling utter ruin, would be as welcome as manna from heaven. A reservation is needed, of course, with regard to trade manœuvres such as the destruction of competition in order to establish a monopoly. We ought at least to maintain our own means of production. Also it would be necessary to watch the effect on agriculture which, not being federated, would react differently from other industries.

I would have a Minister of Overseas Trade at the head of one of the most important and responsible Government departments which would be much more than a mere extension of the present Department of Overseas Trade. The ministry would be

concerned with exports and imports and it would have an eye to foreign services both rendered and received. Unlike other Government departments that we have been considering, it would be invested with executive trading power.

It is arguable whether the Government should take over the whole duty of overseas trade. It would be a great work, for someone qualified for the task, to prepare a consistent and comprehensive scheme for the country. My own inclination, irresponsibly arrived at, would be to permit a continuance of private trading under strict surveillance and with the ministry stepping in where necessary.

PRODUCTION FOR EXPORT

To ensure a sufficiency of exports to pay for our necessary imports would be a prime concern of the Minister of Overseas Trade. The provisions already suggested, for the maintenance of internal monetary stability, and for providing a check on irresponsible dealings in foreign exchange, would ease the way of administration. Presumably the products of our well-paid workers would not, on a cost basis, be able to compete with those made under much inferior conditions and the ministry would have power to subsidize exports to the extent necessary to secure their acceptance abroad.

The suggestion of subsidies raises questions which

we must face. The whole meaning and incidence of an export subsidy, under the organization we are contemplating, would be different from what obtains to-day. We must look at the proposal *de novo* from the various standpoints of our own nation, of our foreign competitors, and of the receivers of the subsidized goods. Our exports must suffice to pay for the things we need and our overseas customers will not accept our goods except at prices fixed by world producers; hence the difficulty with which we are confronted.

It is true enough that with an all-round high standard of living the cost of some of our commodities will be more than the world price at which we sell them. By stages, quite explicable and perhaps at one time justifiable, we have come, in the development of industry, to the present position in which it is commonly accepted that the proper way to maintain our exports is to keep our costs lower than anyone else's. So far, so good; and if the low cost be secured by better machinery and methods, so much the better; but in these days we may be displaced by others who, equally well equipped and organized, are working at starvation rates. Now we reach the point at which the commonly accepted solution is egregiously wrong.

To suppose that we must tolerate, and depend upon, depressed conditions at home because of their prevalence abroad, is false reasoning and bad economics.

A low standard of living for export workers carries in its train depression in the home industries with the strange conjunction of want, idle plant, and unemployment.

A better way is to produce such a surplus of goods that we can afford, after adequately supplying our own needs, to send away all that is required in exchange for our imports. Let the cost of our exports exceed the world price at which they are sold, yet if they purchase raw materials, food, and other things that we want, the exchange taken as a whole from a national point of view is beneficial. To this end we should utilize all available machinery, labour-saving devices, and human help. Everything should be done to increase output all round to such an extent as to compensate for the apparent or local loss in the trades exposed to the severest foreign competition. When production, stimulated to the utmost, fails to meet the demand at home and in the subsidized foreign market, then, and not till then, will it be time to reduce the distributed purchasing power in the country.

The Minister of Overseas Trade would look to the Council of National Economy for advice about subsidies. Viewing the economic position of the country as a whole, with its problems of population, capacity, transport, and so forth, the council would be in a position to indicate what industries should be expanded so as to produce an exportable excess.

FOREIGN INVESTMENTS

I have simplified the discussion by ignoring all questions relating to imports arising from foreign investments held in this country; and I have been speaking only of exports paying for imports. We all recognize that an old industrial country like ours should help in the development of other parts of the world; and there should be surplus exports on capital account. This means that the consumption of our people would be restricted to a reasonable extent to provide capital for foreign investment; and the recipient countries would pay strictly according to the value of the help so given; all of which is ethically and economically sound. On the other hand, the existence of a depressed standard of living in this country in order to produce capital for export is indefensible.

REGARD FOR OTHER NATIONS

None of us would be content to consider these matters regardless of other nations. When I spoke of purchasing our imports at the lowest possible price I was referring only to the business side of the question. When I talked enthusiastically about receiving goods dumped free of charge, you understood that I did not look to, or desire, such largesse; but the objection is moral or humanitarian and not economic. We ought always to pay a reasonable price that will be fair to the producer.

There is no time in this address to deal with the mass of questions arising out of foreign duties and embargoes in reply to subsidies. I will only remark that at a world-selling-price it matters not to a customer or to a competitor whether our cost is based on low-paid labour or on a subsidy. Which way is more likely to elevate industrial conditions abroad—to depress our own standard in the cause of competition or to maintain the highest standard in our own island?

CONCLUSION

Sketchy as my presentation has been I have visualized an ordering of industry which is reasonable and moral and, as it seems to me, workable. It excludes no one from a share in the necessary work of the community and it provides for the needs of all.

Service and industry are enforced in modern business by ruthless competition. In the higher ranks there is a double incentive—the possibility of big profits and the fear of failure. In the lower ranks the extra reward, if any, is strictly limited, but the threat of dismissal and lasting unemployment looms large. In the proposed system the useful side of the competitive urge would, within proper limits, be retained; but the threat of destructive competition would disappear.

Without stopping to assess the relative values of moral gain and material loss, I must concede that, in certain ways, the industrial stimulus, as we know it, would be weakened and sometimes seriously so. If this were the last word, my proposals would be still-born, but I think it will be found on balance that, even on the material side alone, the gain will far outweigh the loss. I have spoken of the possibilities of increased production and I attach importance to the effect on all grades of workers of the release from the nightmare of over-production as a frightful fiend treading close on the heels of competitive industry as we know it to-day.

And now we come back to our starting-point. Under such a system the incentive to evil occupations largely disappears. Men and women are no longer driven to trade in drugs and vices. The repugnance to armaments felt by many people in all classes would find expression. No longer is our advocacy of disarmament countered by the parrot cliché "armaments make work." Army expenditure instead of being welcomed for making work, would be seen in its true light as a burden on industry, and every man released from the army would be hailed as a gain to the producers.

The industrial and social concerns of our own nation are no less important than the international affairs in which our Quaker Society has had, and still has, true enlightenment. Equally are we called to

service, and equally do we need the same spirit, in both fields. Social justice and disarmament, springing from the same incentive, will act and react beneficially; and each will promote the other.

For the right direction and working of the nation's industry we need a dominating idea, an impulse that will captivate the imagination of the multitude. I have read of an occasion in Moscow when fifty thousand young men shouted a response in unison, "We are changing the world, we are changing the world, we are changing the world." Under such a system as I have described I can see our workers, all of them, "hands" no less than managers and black-coats, thrilled with glowing enthusiasm for an increase of output that has been allocated, if it can be achieved, to some spectacular object—this year, let us say, a substantial increase in pensions for widows and the aged, another year for public amenities and improvements—for education—for holidays; and is it too much to hope that, with a certain measure of well-being all round, altruism would find expression in free gifts to less favoured peoples beyond our shores.

The fact that human nature cannot be changed by a mere change of system must not be allowed to obscure the vital reality that diligence and good-will, or greed and oppression, may be powerfully aided, or hindered, by the outlook and form of our civilization. Our social arrangements can, at any rate, so

prepare the way of the Lord and make his paths straight as to lead men the more readily to walk in them. Ours the high calling to seek, and to promote, such conditions as will conduce universally to material and spiritual well-being.

